



State of California
Employment Training Panel

Arnold Schwarzenegger, Governor

March 23, 2010

Tom Reim
Vice President of Human Resources
SYSCO Food Services of Ventura, Inc.
3100 Sturgis Road
Oxnard, CA 93030

Dear Mr. Reim:

Enclosed is our final audit report relative to the Employment Training Panel Agreement No. ET06-0314 for the period June 7, 2006 through June 6, 2008.

The report indicates SYSCO Food Services of Ventura, Inc., complied with the terms of the Agreement and the California Unemployment Insurance Code.

We appreciate the courtesy and cooperation extended to our auditor during the audit. If you have any questions, please contact Stephen Runkle, Audit Manager, at (916) 327-4758.

Sincerely,

Original signed by:

Stephen Runkle
Audit Manager

Enclosures

cc: William Sacks, Ph. D., Vice President, Operations, National Training Center

SYSCO FOOD SERVICES OF VENTURA, INC.

Agreement No. ET06-0314

Final Audit Report

For The Period

June 7, 2006 through June 6, 2008

Report Published March 23, 2010

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AUDITOR'S REPORT

Summary

We performed an audit of SYSCO Food Services of Ventura, Inc., Agreement No. ET06-0314, for the period June 7, 2006 through June 6, 2008. Our audit pertained to training costs claimed by the Contractor under this Agreement. Our audit fieldwork was performed during the period September 14, 2009 through September 17, 2009.

The Employment Training Panel (ETP) paid the Contractor a total of \$195,975. Our audit supported that the entire \$195,975 is allowable. However, we noted an administrative finding for inaccurate reporting of trainee wage rates.

AUDITOR'S REPORT (continued)

Background

SYSCO Food Services of Ventura (SYSCO) is a wholly-owned subsidiary of the SYSCO Corporation of Houston, Texas. Operating since May 2004, SYSCO's Oxnard, California facility warehouses, distributes, and delivers more than 10,000 different food products, beverages, equipment, and supplies to restaurants, schools, assisted living facilities, government facilities, and other businesses within a 15,000 square mile area surrounding Ventura County.

This Agreement was the second between ETP and SYSCO. This training project sought to allow SYSCO to remain profitable in the manufacturing industry by expanding into new markets, implementing computer technology, and improving trucking operations and fleet maintenance. The proposed training plan targeted frontline workers in need of training in Commercial Skills. Therefore, this Agreement provided for training in, Commercial Skills, Computer Skills, and Continuous Improvement.

This Agreement allowed SYSCO to receive a maximum reimbursement of \$195,975 for retraining 225 employees. During the Agreement term, the Contractor placed 146 trainees and was reimbursed \$195,975 by ETP.

Objectives, Scope, and Methodology

We performed our audit in accordance with *Government Auditing Standards*, promulgated by the United States General Accounting Office. We did not audit the financial statements of SYSCO. Our audit scope was limited to planning and performing audit procedures to obtain reasonable assurance that SYSCO complied with the terms of the Agreement and the applicable provisions of the California Unemployment Insurance Code.

Accordingly, we reviewed, tested, and analyzed the Contractor's documentation supporting training cost reimbursements. Our audit scope included, but was not limited to, conducting compliance tests to determine whether:

- Trainees were eligible to receive ETP training.
- Training documentation supports that trainees received the training hours reimbursed by ETP and met the minimum training hours identified in the Agreement.
- Trainees were employed continuously full-time for 90 consecutive days after completing training, and the 90-day retention period was completed within the Agreement term.
- Trainees were employed in the occupation for which they were

AUDITOR'S REPORT (continued)

trained and earned the minimum wage required at the end of the 90-day retention period.

- The Contractor's cash receipts agree with ETP cash disbursement records.

As part of our audit, we reviewed and obtained an understanding of the Contractor's management controls as required by *Government Auditing Standards*. The purpose of our review was to determine the nature, timing, and extent of our audit tests of training costs claimed. Our review was limited to the Contractor's procedures for documenting training hours provided and ensuring compliance with all Agreement terms, because it would have been inefficient to evaluate the effectiveness of management controls as a whole.

Conclusion Our audit supported SYSCO complied with the terms of the Agreement and the California Unemployment Insurance Code. As a result, the entire reimbursed amount of \$195,975 is allowable.

Records Please note the ETP Agreement, Paragraph 5, requires you to assure ETP or its representative has the right, "...to examine, reproduce, monitor and audit accounting source payroll documents, and all other records, books, papers, documents or other evidence directly related to the performance of this Agreement by the Contractor... This right will terminate no sooner than four (4) years from the date of termination of the Agreement or three (3) years from the date of the last payment from ETP to the Contractor, or the date of resolution of appeals, audits, or litigation, whichever is later."

Stephen Runkle
Audit Manager

Fieldwork Completion Date: September 17, 2009

This report is a matter of public record and its distribution is not limited. The report is intended for use in conjunction with the administration of ETP Agreement No. ET06-0314 and should not be used for any other purpose.

FINDING AND RECOMMENDATION

FINDING NO. 1 – Trainee hourly wage rates reported by SYSCO Food Services of Inaccurate Reporting Ventura, Inc., (SYSCO) on invoices submitted to ETP were inaccurate. As a result, the Contractor did not comply with Agreement reporting requirements. Thus, we have assessed an administrative finding for inaccurate reporting of trainee wage rates.

Paragraph 2 (d) of the Agreement states, “Contractor shall submit invoices and necessary statistical data to ETP in form and manner prescribed by ETP.” Accurate, complete trainee wage rate information is required to verify compliance with Exhibit A, page 4, Paragraph VII.A of the Agreement. This section states, “Each trainee must be employed full-time... for a period of at least ninety (90) consecutive days immediately following the completion of training... Wages at the end of the 90-day retention period shall be equal to or greater than the wages listed in [the Agreement].”

We documented actual trainee wage rates based on payroll documents provided by SYSCO for 100 percent of sample trainees. This sample included 8 trainees who are paid on a commission basis, and 7 trainees who are paid on an hourly basis. Since commission based trainees have hourly wage rates that vary each month, we only verified that these trainees earned an average hourly wage rate that met the minimum requirements for this Agreement. However, based on payroll documents provided by SYSCO, 6 of the remaining 7 trainees, who were paid on an hourly basis, had wage rates that varied by more than 5 percent or more from actual wage rates (86 percent).

Recommendation In the future, SYSCO should ensure all trainee data submitted to ETP is accurate and complete. Inaccurate or incomplete data may result in repayment of unearned funds, plus applicable interest, to ETP.